

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Genesee County Road Commission	County Genesee
Audit Date 9/30/03	Opinion Date 9/1/04	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

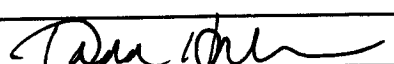
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street	City Flint	State MI	ZIP 48502
Accountant Signature 			

Financial Statements

**Genesee County Road Commission
Flint, Michigan**

September 30, 2003

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Independent Auditors' Report

Board of Road Commissioners
for the County of Genesee
Flint, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Road Commission for the County of Genesee, a component unit of Genesee County, as of September 30, 2003 and for the year then ended, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these component unit basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Road Commission has implemented a new financial reporting model, as required by the provision of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of September 30, 2003.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission at September 30, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and information in the required supplemental information section are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The financial statements in the "other financial information" section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements have been subjected to auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

September 1, 2004

**Genesee County Road Commission
Management Discussion and Analysis
September 30, 2003**

Our discussion and analysis of Genesee County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended September 30, 2003. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities – this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net assets and the changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional non-financial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Fund Financial Statements

The Road Commission currently has only one fund, the General Operating Fund. All of the Road Commission's activities are accounted for in this fund. The General Operating Fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page 11.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 28% or \$17,690,086, from \$62,388,272 to \$80,078,358 for the year ended September 30, 2003. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$6,010,990 during 2003. The primary reason for the increase was an increase in federal and state support for road projects.

The investment in capital assets net of related debt increased by \$19,094,163. The increase in net assets is primarily the result of recording the \$18,924,818 of infrastructure improvements made during the year. The depreciation for the current year's infrastructure additions will be provided for in future years.

Net assets as of year ended September 30, 2003 follows:

	<u>Governmental Activities</u>
Current and other assets	\$53,173,049
Capital assets	<u>37,281,285</u>
Total assets	<u>90,454,334</u>
Long-term debt outstanding	4,519,061
Other liabilities	<u>5,856,915</u>
	<u>10,375,976</u>

Net assets:	
Invested in capital assets	40,805,218
Restricted for:	
Road expenditures	<u>39,273,140</u>
Total net assets	<u>\$80,078,358</u>

Changes in Net Assets

A summary of changes in net assets is as follows:

	<u>2002</u>	<u>2003</u>
Program revenues:		
Licenses and permits	\$ 225,126	\$ 431,593
Federal sources	1,593,107	7,093,035
State sources	24,464,605	22,930,254
Contributions from local units	3,958,142	3,516,742
Charges for services	4,901,317	4,635,399
General revenues:		
Interest income	1,086,078	762,983
Other general revenues	<u>1,154,236</u>	<u>635,259</u>
Total revenues	<u>37,382,611</u>	<u>40,005,265</u>
Program expenses:		
Primary road maintenance	5,001,398	6,266,458
Local road maintenance	6,072,570	6,362,574
State trunkline	4,275,466	4,627,721
Equipment (net)	1,575,942	1,676,921
Administrative	2,610,980	2,678,873
Other	501,971	386,874
Interest on long-term debt	<u>374,712</u>	<u>320,094</u>
Total program expenses	<u>20,413,039</u>	<u>22,319,515</u>
Increase in net assets	<u>\$16,969,572</u>	<u>\$17,685,750</u>

The Road Commission's Fund

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended September 30, 2003, the fund balance of the General Operating Fund decreased \$405,140 as compared to an increase of \$5,793,426 in the fund balance for the year ended September 30, 2002. Total revenues were \$40,548,200, an increase of \$2,982,013 as compared to the previous year. This change in revenues resulted primarily from an increase in federal surface transportation funds and federal high priority funds. There was also a decrease in Michigan Transportation Funds. Total expenditures were \$41,417,116, an increase of \$8,668,388 as compared to the previous year. This change in expenditures is due primarily to an increase in heavy maintenance projects in the amount of \$17,251,330.

A summary of changes in the General Operating Fund is as follows:

	2002	2003	Favorable (Unfavorable) Variance
Revenues:			
Licenses and permits	\$ 225,126	\$ 431,593	\$ 206,467
Federal sources	1,593,107	7,093,035	5,499,928
State sources	24,464,805	22,930,254	(1,534,551)
Contributions from local units	3,958,142	3,516,742	(441,400)
Charges for services	4,901,317	4,635,399	(265,918)
Interest and rents	1,086,578	762,983	(323,595)
Other general revenues	<u>1,337,112</u>	<u>1,178,194</u>	<u>(158,918)</u>
Total revenues	<u>37,566,187</u>	<u>40,548,200</u>	<u>2,982,013</u>
Expenditures:			
Construction	674,704	1,790,862	1,116,158
Heavy maintenance	9,669,111	17,251,330	7,582,219
Maintenance	10,085,188	11,327,769	1,242,581
State trunkline	4,275,466	4,627,721	352,255
Equipment - net	1,576,643	1,664,216	87,573
Administrative	2,545,164	2,621,212	76,048
Other	501,971	386,874	(115,097)
Capital outlay - net	1,534,199	(33,256)	(1,567,455)
Principal retirement	1,506,934	1,460,294	(46,640)
Interest on long-term debt	<u>379,048</u>	<u>320,094</u>	<u>(58,954)</u>
Total expenditures	<u>32,748,428</u>	<u>41,417,116</u>	<u>8,668,688</u>
Other financing sources:			
County appropriation	725,667	456,000	(269,667)
Note proceeds	<u>250,000</u>	<u>7,776</u>	<u>(242,224)</u>
Total other financing sources	<u>975,667</u>	<u>463,776</u>	<u>(511,891)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,793,426	(405,140)	(6,198,566)
Fund balance October 1, 2001	<u>38,996,546</u>	<u>44,789,972</u>	<u>5,793,426</u>
Fund balance September 30, 2002	<u>\$44,789,972</u>	<u>\$44,384,832</u>	<u>\$ (405,140)</u>

Budgetary Highlights

Genesee County Road Commission's budget is a dynamic document. Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2003 was \$49,237,835, lower than the original budget primarily due to projections for federal, state, and locally funded road projects that were delayed for various reasons. The actual revenue recognized during 2003 was less than the final amended budget by \$8,689,637. There were no unfavorable variances in any revenue line-items.

The final amended expenditure budget for 2003 was \$47,663,968, lower than the original budget primarily due to projections for federal, state, and locally funded road projects that were delayed for various reasons. The actual expenditures recognized during 2003 were less than the final amended budget by \$6,246,852. There were no unfavorable variances in any expenditure line-items.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2003, the Road Commission had \$38,286,200 invested in capital assets as follows:

	2002	2003	Total Percentage Change 2002/2003
Capital assets not being depreciated:			
Land and improvements	\$ 477,616	\$ 478,816	0.00%
Construction in progress	1,274,805	26,058	(98)
Depletable assets	1,210	1,210	0.00
Other capital assets:			
Land improvements	403,426	403,426	0.0
Buildings and improvements	5,710,678	7,312,241	28
Equipment	19,364,475	20,290,010	5
Infrastructure and improvements	<u>10,169,552</u>	<u>29,094,370</u>	65
Total capital assets	37,401,762	57,606,131	35
Total accumulated depreciation	<u>(17,757,786)</u>	<u>(20,324,846)</u>	10
Total net capital assets	<u>\$ 19,643,976</u>	<u>\$ 37,281,285</u>	48

Current year's major additions included the following:

Buildings and improvements	\$ 1,601,562
Road equipment	1,979,340
Infrastructure - roads	18,360,719

Debt

At the year end, the Road Commission had \$5,873,933 in bonds and installment purchase agreements versus \$7,326,451 in the previous year, an increase of 25% as shown below.

During 2003, the only new debt was an installment purchase agreement for a postage meter in the amount of \$7,776. The Road Commission paid off one bond agreement during 2003.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities are presented in notes to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2004 budget. One of the factors is the economy. The Road Commission derives approximately 57% of its revenues from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive \$24,194,467 (5%) more Michigan Transportation Fund revenues in 2004. The Road Commission received approximately 9% of its revenues from township contributions during 2003. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2004, we expect to receive at least \$3,695,750 in federal and state aid for road projects.

The above items were considered when adopting the budget for 2004. Amounts available for appropriation in the budget are \$2,487,090, a decrease of 49% from the 2003 budget of \$3,767,914.

Investment income on the cash in our fund balance will decline by approximately 13% or approximately \$100,000.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Genesee County's transportation system. Therefore, the board attempts to spend the public's money wisely and equitably, and in the best interest of the motoring public and the citizens of Genesee County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Genesee County Road Commission administrative offices at 211 W. Oakley St., Flint, Michigan 48503.

**Genesee County Road Commission
Statement of Net Assets
September 30, 2003**

Assets

Cash and cash equivalents:	
Unrestricted	\$ 39,735,191
Restricted-escrow	711,188
Receivables:	
Accounts	190,387
Special assessments:	
Regular	3,461,466
Special projects	824,711
Due from other governments:	
Michigan Transportation Fund	3,920,086
State Trunkline maintenance	510,417
State Transportation Department-other	844,498
Township road agreements	2,051,328
Other	11,557
Inventory:	
Road materials	581,095
Equipment materials	318,678
Surplus property	162
Prepaid items	12,285
	<hr/>
	53,173,049
	<hr/>
Capital assets (net of accumulated depreciation):	
Land and improvements	882,242
Buildings	7,312,241
Equipment	20,290,010
Depletable assets	1,210
Construction in progress	26,058
Infrastructure-roads	27,564,853
Infrastructure-bridges	1,529,517
Accumulated depreciation	(20,324,846)
	<hr/>
Net capital assets	37,281,285
	<hr/>
	\$ 90,454,334
	<hr/>

Liabilities

Current liabilities:

Accounts payable	\$ 2,374,591
Other accrued liabilities	322,839
Payable from restricted assets:	
Deposits - escrow	711,188
Advances - State of Michigan	1,073,080
- Other	7,706
Due to other governments	12,639
Restricted liabilities - deposits payable	-
Bonds payable - due in one year	1,175,000
Installment purchase agreements payable - due in one year	179,872

Non current liabilities:

Bonds payable - due within more than one year	4,415,000
Installment purchase agreements payable - due within more than one year	<u>104,061</u>

Total liabilities	<u>10,375,976</u>
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Net Assets:

Invested in capital assets (net of related debt)	31,407,352
Restricted for:	
Primary road expenditures	41,558,617
Local road expenditures	1,299,843
Self insurance	804,023
Unrestricted	<u>5,008,523</u>

Total net assets	<u>80,078,358</u>
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\$ 90,454,334

**Genesee County Road Commission
Statement of Activities
For the Year Ended September 30, 2003**

Program expenses:	
Primary road maintenance	\$ 6,266,458
Local road maintenance	6,362,574
State trunkline	4,627,721
Equipment expense-net	1,676,921
Administrative expense-net	2,678,873
Other	386,874
Interest on long term debt	320,094
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Total program expenses	22,319,515
	<hr/>
Program revenues:	
License and permits	431,593
Federal grants	7,093,035
State grants	22,930,254
Contributions from local government	3,516,742
Charges for services	4,635,399
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Total program revenues:	38,607,023
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Net program revenues:	16,287,508
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General revenues:	
Investment earnings	762,983
Miscellaneous	70,258
Gain on sale of capital assets	109,001
Transfers in - primary government	456,000
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Total general revenues and transfers in	1,398,242
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Change in net assets	17,685,750
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Net assets:	
Beginning of year	62,392,608
	<hr/>
End of year	\$ 80,078,358
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**Genesee County Road Commission
Balance Sheet
Governmental Fund
September 30, 2003**

	<u>Governmental Fund Type</u>
	<u>General Operating Fund</u>
Assets	
Cash and cash equivalents:	
Unrestricted	\$ 39,735,191
Restricted - escrow	711,188
Receivables:	
Accounts	190,386
Special assessments:	
Regular	3,461,466
Special projects	824,711
Due from other governments:	
Michigan Transportation Fund	3,920,086
State Trunkline maintenance	510,417
State Transportation	
Department - other	844,498
Township road agreements	2,051,328
Other	11,557
Inventory:	
Road materials	581,095
Equipment materials	318,678
Surplus property	162
Prepaid items	<u>12,285</u>
 Total assets	 <u><u>\$ 53,173,048</u></u>

See notes to financial statements.

	<u>Governmental Fund Type</u>
	<u>General Operating Fund</u>
Liabilities	
Accounts payable	\$ 2,647,618
Other accrued liabilities	322,678
Payable from restricted assets:	
Deposits - escrow	711,188
Advances - State of Michigan	800,211
- Other	7,706
Due to other governments	12,639
Deferred revenue -	
Special assessments	<u>4,286,176</u>
Total liabilities	<u>8,788,216</u>
Equity and Other Credits	
Fund balance:	
Reserved:	
Prepaid items	12,285
Unreserved:	
Designated for:	
Primary road expenditures	41,558,617
Local road expenditures	1,299,843
Designated for self insurance	804,023
Undesignated	<u>710,064</u>
Total equity and other credits	<u>44,384,832</u>
Total liabilities, equity, and other credits	<u><u>\$ 53,173,048</u></u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balance reported- Governmental Fund	\$ 44,384,832
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,281,285
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	4,286,176
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(5,873,933)</u>
Net assets of governmental activities	<u><u>\$ 80,078,360</u></u>

Genesee County Road Commission
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2003

Revenues:

Permits	\$ 431,593
Intergovernmental -	
Federal sources	7,093,035
State sources	22,930,254
Local sources	3,516,742
Charges for services	4,635,399
Interest and rents	762,983
Other	1,178,194
	<hr/>
Total revenues	40,548,200

Expenditures:

Current -	
Construction	1,790,862
Heavy maintenance	17,251,330
Maintenance	11,327,769
State trunkline	4,627,721
Equipment - net	1,664,216
Administrative	2,621,212
Other	386,874
Capital outlay - net	(33,256)
Debt service	1,780,388
	<hr/>

Total expenditures	41,417,116
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Excess of revenues over expenditures	(868,916)
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Other financing sources:

County appropriation	456,000
Capital lease proceeds	7,776
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Total other financing sources	463,776
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Excess of revenues and other sources over expenditures	(405,140)
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Fund balance - beginning of year	44,789,972
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Fund balance - end of year	<u>\$ 44,384,832</u>
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See notes to financial statements.

**Genesee County Road Commission
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
For the Year Ended September 30, 2003**

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 13)	\$ (405,140)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	17,637,317
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The effect of revenues on the modified accrual basis in the combined statement of revenues to do not provide current financial resources.	(998,935)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,452,518</u>
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Change in net assets of governmental activities (page 10)	<u><u>\$ 17,685,760</u></u>
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See notes to financial statements.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

1. Summary of significant accounting policies

The accounting policies of the Genesee County Road Fund conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental Units. The following is a summary of the significant accounting policies used by the Road Commission.

Effective October 1, 2001, the Road Commission implemented the provision of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the statements include the following:

- A Management Discussion and Analysis (MD & A) section providing an analysis of the Road Commission's overall financial position and results of operations has been included with the financial statements.
- Financial statements prepared using full accrual accounting for all of the Road Commission's activities, including infrastructure (roads, bridges, etc).
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Reporting entity

The Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member Board of County Road Commissioners appointed by the Genesee County Board of Commissioners. The Road Commission may not issue debt without the Genesee County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Genesee County Road Commission, a discretely presented component unit of Genesee County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Road Commission. There is only one fund reported in the government-wide financial statements.

The statement of net assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

1. Summary of significant accounting policies – (continued)

B. Government-wide and fund financial statements – (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense is those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, if any and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provision. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

D. Assets, liabilities, and net assets or equity

Cash, cash equivalents, and investments:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Fair value is determined based on quoted market prices.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

1. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

Inventories:

Inventories are priced at costs as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations as used.

Prepaid expenses:

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both government-wide and fund financial statements.

Capital assets:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Genesee County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement 34, and has reported the infrastructure in the statement of net assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before September 30, 2003, as permitted by GASB Statement No. 34.

Depreciation:

Depreciation is computed on the straight-line method for all assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road equipment	5 to 8 years
Shop equipment	10 years
Engineering department	4 to 10 years
Office equipment	4 to 10 years
Infrastructure – roads	8 to 30 years
Infrastructure – bridges	12 to 50 years

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund statement of net assets.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

1. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

Compensated absences (vacation and sick leave):

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payments for unused personal leave and vacation under formulas and conditions specified in the contracts.

As a result, it is the Road Commission's policy to permit employees to accumulate earned but unused personal and vacation pay benefits. All personal and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee termination as of year-end.

2. Stewardship, compliance and accountability

Budgetary procedures:

The Road Commission Manager/Director prepares from data submitted by the administrative staff a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and resources to finance them.

Prior to September 30, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing and may add to, subtract from or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioners Resolution. All amendments to the budget must have direct approval of the Board of County Road Commissioners.

The Road Commission's approved budget was adopted by departments for expenditures. This is the legally enacted level under the State of Michigan Uniform Budgeting and Accounting Act.

The departmental budget does not recognize revenues or expenditures in the accounting reporting format recommended by the Uniform Accounting Procedure Manual for Michigan County Road Commissions in that bond proceeds are not classified separately from revenues as other financing sources and expenditures are not classified separately as current, capital outlay and debt service. Also, the departmental budget does not recognize revenue credits as offsets against expenditures but, recognizes the amounts as revenue; and depreciation or depreciation credit is not recognized.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated. The Road Commission complied with this requirement as reported on the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.

Budget violations:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for the budget. There were no budget violations for the year ended September 30, 2003.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

3. Cash deposits and investments

Deposits:

The Road commission's deposits consist of various checking accounts. At year end, the carrying amount of the Road Commission's deposits was \$34,112,919, excluding petty cash of \$400 and the bank balance was \$35,206,327. Of the bank balances \$200,000 was covered by federal depository insurance. The rest of the bank balance, or \$35,026,327 was not insured or collateralized.

Investments:

State statutes authorize the Road Commission to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federal insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks, and mutual funds comprised of the above authorized investments. The Road Commission has adopted the above as its investment policy and additionally approved the following as authorized depository.

Michigan Compiled Laws, Section 129.91, authorized the Road Commission to deposit and invest in the accounts of federally insured banks, credit union, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has adopted the above as its investment policy, which is in accordance with the provisions of Public Act 196 of 1997.

The Road Commission's investments are categorized below to give an indication of the level of risk assumed by the entity.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

The GASB Statement No. 3 risk disclosures for the Road Commission's investments are as follows:

	<u>Category</u>			<u>Reported Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>
Repurchase Agreements	\$ -	\$ -	\$6,333,059	\$6,333,059
Total	\$ -0-	\$ -0-	\$6,333,059	\$6,333,059

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

4. Capital assets

Capital asset activity of the Genesee County Road Commission for the current year was as follows:

	<u>Balance</u> <u>10-01-02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-03</u>
Capital assets not being depreciated:				
Land	\$ 477,616	\$ 1,200	\$ -	\$ 478,816
Construction in progress	1,274,805	26,058	1,274,805	26,058
Depletable assets	1,210	-	-	1,210
Total capital assets not being depreciated	<u>1,753,631</u>	<u>27,258</u>	<u>1,274,805</u>	<u>506,084</u>
Capital assets being depreciated:				
Land improvements	403,426	-	-	403,426
Buildings and improvements	5,710,678	1,601,562	-	7,312,241
Road equipment	17,186,544	1,979,340	1,075,379	18,090,504
Shop equipment	385,638	42,165	5,529	422,274
Engineering equipment	102,746	-	-	102,746
Yard and storage equipment	498,964	-	-	498,964
Office equipment	1,175,826	64,244	77,956	1,162,114
Lab equipment	14,758	-	1,350	13,408
Infrastructure – roads	9,204,134	18,360,719	-	27,564,853
Infrastructure – bridges	965,418	564,099	-	1,529,517
Total capital assets being depreciated	<u>35,648,132</u>	<u>22,612,129</u>	<u>1,160,214</u>	<u>57,100,047</u>
Less accumulated depreciation:				
Land improvements	77,186	21,005	-	98,191
Buildings and improvements	2,844,675	309,082	-	3,153,757
Road equipment	12,802,840	1,796,274	1,075,379	13,523,735
Shop equipment	277,662	18,333	5,529	290,466
Engineering equipment	72,747	4,953	-	77,700
Yard and storage equipment	486,942	2,438	-	489,380
Office equipment	682,302	101,780	44,119	739,963
Lab equipment	14,608	150	1,350	13,408
Infrastructure – roads	460,207	1,378,242	-	1,838,449
Infrastructure – bridges	38,617	61,181	-	99,798
Total accumulated depreciation	<u>17,757,786</u>	<u>3,693,438</u>	<u>1,126,377</u>	<u>20,324,847</u>
Total capital assets being depreciated, net	<u>17,890,346</u>	<u>18,918,691</u>	<u>33,837</u>	<u>36,775,200</u>
Capital assets, net	<u>\$19,643,977</u>	<u>\$18,945,949</u>	<u>\$1,308,642</u>	<u>\$37,281,284</u>

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

4. Capital assets – (continued)

Depreciation expense:	
Land improvements	\$ 21,005
Buildings and improvements	309,082
Road equipment	1,796,274
Shop equipment	18,333
Engineers' equipment	4,953
Yard and storage	2,438
Office equipment	101,780
Lab equipment	150
Infrastructure – roads	1,378,242
Infrastructure – bridges	<u>61,181</u>
Total	<u>\$3,693,438</u>

Depreciation expense was charged to programs of the Genesee County Road Commission as follows:

Primary road maintenance	\$1,906,679
Local road maintenance	1,665,395
Equipment - net	19,584
Administrative	<u>101,780</u>
Total depreciation expense	<u>\$3,693,438</u>

5. Long-term debt

The Road Commission has the following governmental activity long-term debt outstanding at September 30, 2003:

	Balance October 1, 2002	Additions	Reductions	Balance September 30, 2003
MTF notes	\$6,795,000	\$ -	\$(1,205,000)	\$5,590,000
Capital leases	<u>531,451</u>	<u>7,776</u>	<u>(255,294)</u>	<u>283,933</u>
	<u>\$7,326,451</u>	<u>\$ 7,776</u>	<u>\$(1,460,294)</u>	<u>\$5,873,933</u>

General obligations bonds and loans payable:

The outstanding bonds and notes payable at September 30, 2003, and matured interest thereon, are payable to the State of Michigan from the proceeds of state-collected taxes returned to the Road Commission as Act 51 monies. In the case of default, the state treasurer is authorized to withhold future disbursements of Act 51 monies due the Road Commission until the defaulted payments are recovered by the state.

For the Michigan Transportation Fund notes, special assessments have also been levied on specific properties abutting certain road improvements. The collection of the assessments have been pledged as additional security for the payment of the bonds.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

5. Long-term debt – (continued)

Significant details regarding the long-term debt are as follows:

<u>Obligation Payable</u>	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Annual Principal Payment or Range</u>	<u>Outstanding Balance September 30, 2003</u>	<u>Due Within One Year</u>
Michigan Transportation					
Fund notes:					
1994 Issue	August 1, 2004	4.8 – 7.0	90,000	\$ 90,000	\$ 90,000
1995 Issue	August 1, 2005	4.75- 4.9	140,000	280,000	140,000
1996 Issue	August 1, 2006	5.125	95,000	285,000	95,000
1997 Issue	August 1, 2007	4.85	75,000	300,000	75,000
1998 Issue	August 1, 2008	3.80 – 6.8	445,000	2,225,000	445,000
1999 Issue	August 1, 2009	4.55 – 7.5	75,000	450,000	75,000
2000 Issue	August 1, 2010	4.5 - 7.5	105,000	735,000	105,000
2001 Issue	August 1, 2011	3.5 - 4.2	125,000	1,000,000	125,000
2003 Issue	August 1, 2012	3.7 – 5.8	25,000	<u>225,000</u>	<u>25,000</u>
Total notes				5,590,000	
Capital lease obligation				<u>283,933</u>	
				<u>\$5,873,933</u>	

Future debt service requirements on bonds and notes:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended 9-30-2004	\$1,175,000	\$234,934	\$1,409,934
9-30-2005	1,085,000	183,720	1,268,720
9-30-2006	945,000	138,081	1,083,081
9-30-2007	850,000	99,210	949,210
9-30-2008			
Remaining years	<u>1,535,000</u>	<u>123,123</u>	<u>1,658,123</u>
	<u>\$5,590,000</u>	<u>\$779,068</u>	<u>\$6,369,068</u>

Interest is payable on all obligations semi-annually.

Principal is paid on an annual basis.

Act 143, Public Acts of State 1943, provides that total bonds and notes outstanding under this act cannot exceed 40% of the sum of the revenues derived from state collected taxes returned to the county for county road purposes for the last preceding five calendar years and not specifically allocated for other purposes. As of September 30, 2003, the Road Commission is within the statutory limit of Act 143.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

6. Capital leases

The Road Commission has entered into various lease purchase agreements to finance the acquisition of equipment with capitalized costs totaling \$445,603. These lease agreements qualify as capital leases for accounting purposes (agreement provides for either title transfer or bargain purchase option at end of the lease terms) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception.

Commitments under this lease agreement provides for minimum annual payments as follows:

<u>Years Ending September 30,</u>	<u>Principal (Present Value)</u>	<u>Interest</u>	<u>Total</u>
2004	\$179,830	\$ 17,328	\$197,158
2005	101,890	6,309	108,199
2006	2,213	127	2,340
	<u>\$283,933</u>	<u>\$ 23,764</u>	<u>\$307,697</u>

7. Employee pension plan

Plan description

The Genesee County Road Commission participates in a contributory multi-employer defined benefit pension plan (Genesee County Employees Retirement System, also known as GCERS). The GCERS was organized pursuant to Section 12A of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12a), as amended. The GCERS is regulated under the Genesee County Employees Retirement System Ordinance, the sections of which have been approved by the state pension commission. The plan includes the following employer groups: Genesee County general unit, Road Commission, Water and Waste Services, Community Mental Health, City of Mt. Morris, and the Genesee District Library. GCERS issues a publicly available annual financial statement that includes financial statements and required supplementary information. Copies of this report can be obtained by writing to the Genesee County Employees' Retirement System, 1101 Beach Street, Flint, Michigan 48502.

The plan covers all eligible full-time employees of the Road Commission. The Road Commission's membership at December 31, 2002 was comprised of 164 active participants, 214 retirants and beneficiaries, and 4 inactive but vested people (information regarding the number of active participants, which were fully or partially vested was not available). In general with some exceptions, all employees are eligible for normal retirement as follows:

- Age 60 with 8 or more years of service
- With 25 or more years of service, regardless of age

Normal retirement benefits for Road Commission employees, other than supervisors, are based on the final average compensation (FAC) of the highest 3 years out of the total credited service times the sum of 2.4% for each of the first 25 years of service, plus 1.0% for the years of service in excess of 25 years. The maximum financed portion is 75% of FAC.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

7. Employee pension plan - (continued)

Plan description - (continued)

Normal retirement benefits for Road Commission supervisors are based on the FAC of the highest 3 years out of the last 5 years times the sum of 2.4% for the first 25 years of service, and 1% for each year of service in excess of 25 years.

In addition to the normal retirement provisions, the plan allows for the following retirement provisions at normal or reduced benefits:

- Early Retirement - At age 55 with 8 years of service
- Deferred Retirement (Vested Benefit) - Any age with 8 or more years of service.
Benefit begins at regular retirement age or age 60.
- Duty Disability Retirement - No age or service requirements. Must be in receipt of workers' compensation.
- Non-Duty Disability Retirement - 10 or more years of service.
- Duty Death before Retirement - No age or service requirements. Must be in receipt of workers' compensation.
- Non-Duty Death before Retirement - 15 or more years of service or age 60 with 10 or more years of service.

Funding policy

Covered Road Commission employees are required under the plan and contractual provisions to contribute to the system between 3.0% and 6.0% of their annual compensation depending on their job classification. The Road Commission contributions are based on actuarially determined amounts. There were no loans outstanding from the GCERS to the Road Commission for the year ended December 31, 2002.

The Road Commission forwarded \$346,444 of pension contributions withheld from employees during the year ended September 30, 2003.

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2002
Actuarial cost method	Entry-age
Amortization method	Level percent of payroll
Remaining amortization period	10 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.0%
Projected salary increases	5.375% to 9.405%
Includes inflation at	5.375%
Cost of living adjustments (COLA)	3.0% to 4.0%

**Genesee County Road Commission
Notes to Financial Statements
September 30, 2003**

7. Employee pension plan - (continued)

Annual pension cost

The Road Commission's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended September 30, 2003 was \$1,248,102. All employer contributions made were equal to required contributions by GCERS. There was no accumulated Net Pension Obligation (NPO) at September 30, 2003. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the years ended September 30, 2003 - 2001, are summarized as follows:

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/01	12/31/99	\$853,021	100%	\$ -
9/30/02	12/31/00	903,090	100	-
9/30/03	12/31/01	1,248,102	100	-

The Net Pension Obligation for the GCERS as a whole is reported within the Comprehensive Annual Financial Report of Genesee County. Funding progress specific to the Road Commission employer group is not available to determine the net pension obligation for the Road Commission group.

The Plan's Schedule of Funding Progress and Schedule of Employer Contributions can be found in the Required Supplementary Information section, located at page 21.

8. Federal grants

The Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county. During the year ended September 30, 2003, the federal aid received and expended by the Road Commission was \$6,826,091 for contracted projects and \$266,994 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commissions perform the work and would be subject to single audit requirements if they expended \$300,000 or more negotiated projects. As a result, the Road Commission was not required to have a single audit for the year ended September 30, 2003.

9. Summary of disclosure of significant contingencies

Contingent liabilities:

The Road Commission participates in a number of agreements with the State of Michigan, by which the Road Commission receives advances and reimbursements per the agreements. These advances and reimbursements are subject to audit by the State of Michigan. The amounts, if any, which may have to be paid back to the state cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

Genesee County Road Commission
Notes to Financial Statements
September 30, 2003

10. Risk management

The Road Commission is self-insured for sick and accident and workers' compensation. The payments for the respective claims and premiums for insurance to limit liability are charged to expenditures in the General Operating Fund.

The Road Commission is completely self-insured for sick and accident coverage for employees. Benefits are paid based on agreements with salaried, hourly, supervisory and exempt employees. The requirements for salaried, hourly and supervisory employees are that for time lost due to accident, the employee benefits start the first day of lost time and for illness, the benefits start the eighth calendar day of lost time. Benefits are paid equal to 66-2/3% of the employees gross wages not to exceed three years for salaried and hourly and eighteen months for supervisory. The requirements for exempt employees are that employee benefits start the first day of lost time for both illness, sick and accident, and are paid equal to 100% of the employees gross wage for one week and at 70% starting the eighth calendar day not to exceed three years. The Road Commission has \$804,023 designated to cover the self-insured liability for sick and accident. Claims are recorded as expenditures on a pay-as-you-go basis. The amount of incurred but not reported claims has not been determined but management expects any such amounts, if any, to be immaterial.

The Road Commission is a member of the Michigan County Road Association Workers' Compensation Fund for workers' compensation self-insurance. This program is administered by a Service Agency which furnishes claims review and claims processing. There were no amounts to be recorded as a liability for "incurred but not reported" claims at September 30, 2003.

In addition, the Road Commission is a voluntary member of the Michigan County Road Commission self-insurance pool. The pool provides loss protection for automobile liability, errors or omissions liability, and all other bodily injury, property damage, and personal injury liability. The Road Commissions' exposure is limited to \$25,000 per claim. There were no amounts to be recorded as a liability related to "incurred but not reported" claims at September 30, 2003.

Amount of claims liability at October 1, 2002	\$ -
Incurred claims	501,611
Payments on claims	<u>(501,611)</u>
Amount of claims liability at September 30, 2003	<u>\$ -0-</u>

11. Post-employment benefits

The Road Commission provides post-retirement healthcare benefits to substantially all retirees. The benefits are required to be paid via a contract. The expenditures are recorded on a pay-as-you-go basis. Currently, 214 retirees are eligible to receive the benefits. The expenditures for post-employment healthcare benefits amounted to \$2,019,904.

**Genesee County Road Commission
Required Supplementary Information
Analysis of Funding Progress**

**Pension Plan
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Over Funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
12/31/00	12/31/00	\$52,764,000	\$53,637,000	\$ 873,000	98.4%	\$7,779,666	11.2%
12/31/01	12/31/01	52,760,000	55,909,000	3,149,000	94.4	7,900,952	39.9
12/31/02	12/31/02	51,308,000	57,065,000	5,757,000	89.9	8,072,662	71.3

Genesee County Road Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Required Supplementary Information
For the Year Ended September 30, 2003

	Original Adopted Budget	Final Amended Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Federal revenues	\$ 9,895,554	\$ 7,200,000	\$ 7,093,035	\$ (106,965)
Michigan Transportation Fund	21,310,400	23,160,000	22,921,830	(238,170)
State highway funds	3,802,081	4,678,081	5,048,437	370,356
State revenue	1,418,181	50,000	8,425	(41,575)
County raised revenues	7,137,541	3,562,000	3,925,531	363,531
Other revenues	8,898,054	10,497,754	6,094,941	(4,402,813)
Miscellaneous	175,000	90,000	432,675	342,675
Total revenues	52,636,811	49,237,835	45,524,874	(3,712,961)
Expenditures:				
Department:				
Engineering	1,230,656	1,186,719	1,101,427	85,292
Maintenance	7,519,409	7,496,993	7,431,034	65,959
Trunkline	3,532,910	4,183,910	3,307,794	876,116
State specials	269,171	494,171	412,947	81,224
Equipment	4,387,700	4,187,700	4,080,955	106,745
Traffic Engineering and Permits	2,206,452	1,806,452	1,692,723	113,729
Operation	535,118	534,139	435,465	98,674
Personnel	287,400	287,774	244,309	43,465
Finance	442,729	387,729	340,759	46,970
Commissioners	25,225	20,925	19,447	1,478
Administration	619,968	527,468	492,739	34,729
Non-departmental	11,215,937	9,352,937	9,212,357	140,580
Road construction	24,132,051	17,197,051	17,158,058	38,993
Total expenditures	56,404,726	47,663,968	45,930,014	1,733,954
Excess (deficiency) of revenues over expenditures	(3,767,915)	1,573,867	(405,140)	(1,979,007)
Fund balance - beginning of year	44,789,972	44,789,972	44,789,972	-
Fund balance - end of year	\$ 41,022,057	\$ 46,363,839	\$ 44,384,832	\$ (1,979,007)

See notes to financial statements.

Other Financial Information

Genesee County Road Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Operating Fund (by Road Fund)
For the Year Ended September 30, 2003

	Primary Road Fund	Local Road Fund	County Road Fund	Totals
Revenues:				
Permits	\$ -	\$ 342,221	\$ 89,372	\$ 431,593
Intergovernmental -				
Federal sources	7,093,035	-	-	7,093,035
State sources	17,010,980	5,919,274	-	22,930,254
Local sources	480,448	2,898,926	138,048	3,517,422
Charges for services	4,627,721	-	7,678	4,635,399
Interest and rents	511,042	215,127	36,814	762,983
Other	109,001	1,044,926	23,587	1,177,514
Total revenues	29,832,227	10,420,474	295,499	40,548,200
Expenditures:				
Construction	1,705,043	85,819	-	1,790,862
Heavy maintenance	9,349,779	7,901,551	-	17,251,330
Maintenance	5,652,009	5,675,760	-	11,327,769
State trunkline	4,627,721	-	-	4,627,721
Equipment - net	913,322	598,119	152,775	1,664,216
Administrative	1,441,956	1,179,256	-	2,621,212
Other	-	-	386,874	386,874
Capital outlay - net	(33,256)	-	-	(33,256)
Principal retirement	-	1,205,000	255,294	1,460,294
Interest and fiscal charges	-	287,877	32,217	320,094
Total expenditures	23,656,574	16,933,382	827,160	41,417,116
Excess (deficiency) of revenues over expenditures	6,175,653	(6,512,908)	(531,661)	(868,916)
Other financing sources (uses):				
County appropriation	-	456,000	-	456,000
Note proceeds	-	-	7,776	7,776
Capital lease proceeds	-	-	-	-
Optional transfers	(5,114,728)	5,919,169	(804,441)	-
Total other sources (uses)	(5,114,728)	6,375,169	(796,665)	463,776
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,060,925	(137,739)	(1,328,326)	(405,140)
Fund balances - beginning of year	40,497,692	1,437,582	2,854,698	44,789,972
Fund balances - end of year	\$ 41,558,617	\$ 1,299,843	\$ 1,526,372	\$ 44,384,832

See notes to financial statements.

**Genesee County Road Commission
Statements of Revenues and Other Sources
General Operating Fund
For the Year Ended September 30, 2003**

Revenues:	
Permits	<u>\$ 431,593</u>
Federal sources -	
Federal aid -	
Urban including STP	2,642,524
C Funds-Federal	726,482
Bridge	248,211
High Priority	<u>3,475,818</u>
Total federal sources	<u>7,093,035</u>
State sources -	
Michigan Transportation Fund	
Engineering	10,000
Urban roads	4,700,018
Allocation	18,211,812
State Critical Bridge	46,539
Economic Development Fund - urban congestion	(38,115)
Miscellaneous	<u>-</u>
Total state sources	<u>22,930,254</u>
Local sources -	
City and village contributions	208,466
Township contributions	2,805,236
Other contributions	<u>503,040</u>
Total local sources	<u>3,516,742</u>
Charges for services -	
Trunkline maintenance	4,175,148
Trunkline non-maintenance	452,573
Salvage sales	5,891
Other	<u>1,787</u>
Total charges for services	<u>4,635,399</u>

(continued)

Genesee County Road Commission
Statements of Revenues and Other Sources (continued)
General Operating Fund
For the Year Ended September 30, 2003

Interest and rents -	
Interest earned	762,483
Property rental	<u>500</u>
Total interest and rents	<u>762,983</u>
Other -	
Special assessments	1,044,926
Gain on equipment disposal	109,001
Other	<u>24,267</u>
Total other	<u>1,178,194</u>
Total revenues	<u>40,548,200</u>
Other financing sources:	
County appropriation	456,000
Capital lease proceeds	<u>7,776</u>
Total other financing sources	<u>463,776</u>
Total revenues and other sources	<u><u>\$ 41,011,976</u></u>

**Genesee County Road Commission
Statement of Expenditures
General Operating Fund
For the Year Ended September 30, 2003**

Expenditures:

Construction -

Primary roads and structures	\$ 1,705,043
Local roads and structures	<u>85,819</u>

Total construction	<u>1,790,862</u>
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Heavy maintenance -

Primary roads and structures	9,349,779
Local roads and structures	7,901,551
Special assessments	<u>-</u>

Total heavy maintenance	<u>17,251,330</u>
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Maintenance -

Primary roads and structures, winter and traffic control	5,652,009
Local roads and structures, winter and traffic control	<u>5,675,760</u>

Total maintenance	<u>11,327,769</u>
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State trunkline -

Trunkline	4,175,148
Special	<u>452,573</u>

Total state trunkline	<u>4,627,721</u>
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Equipment -

Direct	3,246,428
Indirect	1,928,344
Operating	519,822
Less - equipment rental	<u>(4,030,378)</u>

Total equipment	<u>1,664,216</u>
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(continued)

**Genesee County Road Commission
Statement of Expenditures (continued)
General Operating Fund
For the Year Ended September 30, 2003**

Administrative -	
Administration	3,069,895
Less - handling charges	(9,922)
- state maintenance overhead	(420,715)
- purchase discounts	<u>(18,046)</u>
Total administrative	<u>2,621,212</u>
Other -	<u>386,874</u>
Capital outlay -	
Land improvements, building and equipment	2,151,771
Less - depreciation/depletion - equipment retirement	(2,185,027)
Total capital outlay	<u>(33,256)</u>
Debt service -	
Principal retirement	1,460,294
Interest and fiscal charges	<u>320,094</u>
Total debt service	<u>1,780,388</u>
Total expenditures	<u><u>\$ 41,417,116</u></u>